

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

SPECIAL SERVICES REFORM, 1996

Docket No. MC96-3

COMMENTS OF THE UNITED STATES POSTAL SERVICE CONCERNING
REBUTTAL TESTIMONY TO MAJOR MAILERS ASSOCIATION-WITNESS
BENTLEY'S NEW ANALYSIS
(November 25, 1996)

The United States Postal Service hereby files comments concerning rebuttal testimony to Major Mailers Association ("MMA") witness Bentley's new analysis, first proffered at the hearing on November 19, 1996. At that hearing, the Presiding Officer, allowed witness Bentley's new analysis into the record, pending a ruling on the Postal Service's motion to strike the new analysis, and also requested that any participant wishing to file rebuttal testimony so inform the Commission. Tr. 6/2031-32.

The Postal Service is unable to ascertain whether it is interested in filing rebuttal testimony to witness Bentley's new analysis. Without an opportunity for full discovery and oral cross-examination, the Postal Service does not have sufficient information to make a reasoned decision. As the Postal Service has indicated, there is simply insufficient time left in the procedural schedule to allow for "the full range of discovery and rebuttal applicable to all intervenor testimony." *See Supplemental Comments of United States Postal Service to Motion to Strike Major Mailers Association Witness Bentley's New Analysis, November 21, 1996, at 1.*

Counsel for MMA twice has offered to make witness Bentley fully available to provide documents, to respond promptly to questions, and to appear again for oral cross-examination. *See Letter and Attachments from Richard Littell to Susan M.*

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Duchek, November 23, 1996, attached hereto as Exhibit A. The Postal Service appreciates counsel's offers, but, unfortunately, those offers merely highlight the lack of time available for full discovery relating to witness Bentley's new analysis.

As can be seen from Mr. Littell's letter, witness Bentley's analysis is not simple or straightforward, thus compounding the problem of receiving it at this late stage of the procedural schedule. In fact, there have already been changes to witness Bentley's documents. As Mr. Littell states, "I am enclosing copies of the documents that Mr. Bentley had with him on the witness stand, *with additional footnotes to sources added*" (emphasis added).¹ Mr. Littell goes on to state, "I am sending these materials to you as a first installment." The point is there is no time for first installments, much less the second or third installments normally following in a full discovery period. Even had witness Bentley appeared on November 19, 1996, with all source materials and everything properly footnoted, there still was insufficient time between then and December 6, 1996, the filing date for rebuttal testimony, to subject his materials to the comprehensive examination required by due process.

Allowing rebuttal testimony, in the absence of adequate time for written discovery and oral cross-examination, is not sufficient to cure the due process violation which will have occurred if witness Bentley's materials are permitted to remain on the record. A similar situation was presented in *Mail Order Association of America v. U.S.*

¹ As stated in one of the attachments to the letter, OCA/MMA-XE-3 has been revised by the addition of three footnotes "to supply the volume sources and the formula for making the adjusted PRC attributable costs as well as corrections to the column heading numbers."

Postal Service, 2 F.3d 408 (D.C. Cir. 1993). There, the Court found that the Commission's mere solicitation of testimony offered inadequate due process protections, stating:

Nor can we accept the Commission's contention that the initial procedural defects were cured by the Commission's belated invitation to the parties "to offer testimony." The simple taking of testimony is no substitute for the close scrutiny available in a full-blown section 556 hearing on the record, replete with discovery, cross-examination and rebuttal. . . . Thus, mere rejection of the Commission's limited offer cannot be deemed a waiver of the parties' rights to insist on the full procedural panoply that was due.

Id. at 430 (citation and footnote omitted).

Likewise, in Docket No. R94-1, the Commission concluded that the presentation of revised estimates by United Parcel Service witness Kolbe late in the procedural schedule did not allow adequate time for review and evaluation by other participants. In that instance, the Commission stated, "[T]here is no justification for excessively burdening the Postal Service by expecting it to analyze this new testimony in the short period of time before initial briefs are due. On balance, due process is best served by excluding the corrected Kolbe testimony. . . ." *Order Accepting Certification and Excluding Testimony from the Evidentiary Record, Order No. 1030, September 30, 1994.*

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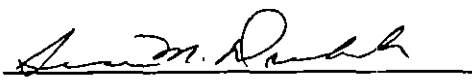
For all of the foregoing reasons, the Postal Service is unable to determine whether rebuttal testimony to witness Bentley's new analysis is necessary or appropriate. Moreover, providing solely for rebuttal testimony, in the absence of a sufficient period of time for written discovery and oral cross-examination, does not meet the strictures of due process.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Susan M. Duchek

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Susan M. Duchek

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2990; Fax -5402
November 25, 1996

LAW OFFICES
RICHARD LITTELL
1220 Nineteenth Street, N.W.
Suite 400
Washington, DC 20036

EXHIBIT A
(15 pages)
005984

Direct Dial: (202) 466-8260

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November 22, 1996

BY FACSIMILE

Susan M. Duchek, Attorney
Law Department
United States Postal Service
475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
PAX: (202) 268-5402

Dear Susan:

I want to renew my offer, made at last Tuesday's hearing (Tr. 6:2011, 2013), to provide the Postal Service with any additional information it desires regarding (1) MMA witness Bentley's statements made during OCA's cross-examination and (2) Mr. Bentley's computations underlying those statements and Exhibits OCA/MMA-XE-1 through OCA/MMA-XE-3 (Tr. 6:2008-11, 2039-41).


In addition to being available for recall at the hearings, Mr. Bentley will, upon request, provide the Service with all his calculations and workpapers. Mr. Bentley is also available at any time, in person or by telephone, for formal or informal data conferences to answer any questions the Service has about his answers to OCA, the three cross-examination exhibits and his methodology, sources, computations and workpapers. Mr. Bentley will accept formal or formal written questions or interrogatories regarding these matters; he will respond promptly by facsimile.

This offer is effective immediately and does not await the Commission's resolution of the Service's Motions to Strike.

As you will recall, at the hearing I offered to provide you with certain documents which, for a time, you thought would be sufficient (Tr. 6: 2011-13). Even though you later reconsidered (Id. at 2029-31), I am enclosing copies of the documents that Mr. Bentley had with him on the witness stand, with additional footnotes to sources added. I'm also enclosing pages from Docket No. R94-1 materials from which Mr. Bentley derived numbers. I am sending these materials to you as a first installment.

Please advise me if the Service wants to schedule any meetings or data conferences with Mr. Bentley. The Service may send written questions or interrogatories directly to Mr. Bentley, with a copy to me. (Mr. Bentley's facsimile number during the week is 703/281-0677, except that this coming weekend please send Mr. Bentley a duplicate facsimile at 757/220-3215.)

Cordially,


Richard Littell

MC96-1-PAC/Duchek.ltr

Memorandum to: Richard Littell
From: Rich Bentley
Subject: Oral Cross Examination Documents
Date: November 22, 1996
Number of Pages: 4

To follow are the workpapers that OCA provided as OCA/MMA-XE1, 2 and 3 with some minor corrections. These modifications can be summarized as follows:

For OCA/MMA-XE-1 there were three spelling errors in titles.
For OCA/MMA-XE-2 there were no changes or corrections
For OCA/MMA-XE-3 there were three footnotes added to supply the volume sources and the formula for making the adjusted PRC attributable costs as well as corrections to the column heading numbers.

Comparison of PRC and USPS Attributable Costs from TY 1995 in Docket No. R94-1

OCA/MMA-XE-1

			PRC R94-1 Test year			USPS R94-1 Test Year			Attributable
			Accrued	Attributable	Percent	Accrued	Attributable	Percent	Cost
			Cost	Cost	Attributable	Cost	Cost	Attributable	Difference 6/
			1	2	3	4	5	6	7
All C LA = LA	All Cost Segments	1/	\$52,530,344	\$34,193,077	65.09%	\$52,592,438	\$33,288,462	63.25%	\$926,595
All C LA = LA	All Cost Segments		\$52,530,344	\$34,193,077	65.09%	\$52,530,344 2/	\$33,225,443 3/	63.25%	\$967,634
All C LA = LA	All Cost Segments		\$52,592,439 4/	\$34,232,418 5/	65.09%	\$52,530,344	\$33,225,443	63.25%	\$1,006,575

1/ PRC Opinion, Docket No. R94-1, Appendix D, p. 4

2/ Accrued Cost adjusted to PRC total

3/ $52,530,344 \times .6325$

4/ Accrued Cost adjusted to USPS total

5/ $52,592,438 \times .6509$

6/ Col 2 - Col 5

005986

USPS Finances For TY 1995 Using USPS and PRC Cost Methodologies at USPS and PRC Rates

OCA/MMA-XE-2

Docket No. MC96-3

(\$000)

Computation of Attributable Cost Difference

Line	Subclass	USPS Attrib Costs 1		PRC Attrib Costs2/ 2		Difference Attrib Costs 3 (Col 2 - Col 1)	PRC Attrib Cost Factor 4 (Col 3 / 943,165)
1	First Class Letters	\$17,515,829	1/	\$18,045,850	2/	\$530,021	56.20%
2	Third Class BRR	\$6,317,013	1/	\$6,591,284	2/	\$274,271	29.08%
3	All Other	\$9,904,450	1/	\$10,043,323	2/	\$138,873	14.72%
4	Grand Total	\$33,737,292		\$34,680,457		\$943,165	100.00%

Computation of USPS Institutional Cost Apportionment Factors

	Subclass	USPS Attrib Costs 5		USPS Rev Target 6		Institutional Cost Burden 7 (Col 6 - Col 5)	USPS Institutional Cost Apportionment Factor 8 (Col 7 / 20,670,749)
5	First Class Letters	\$17,515,829	1/	\$31,788,238	1/	\$14,272,409	69.05%
6	Third Class BRR	\$6,317,013	1/	\$9,739,013	1/	\$3,422,000	16.55%
7	All Other	\$9,904,450	1/	\$12,880,790	1/	\$2,976,340	14.40%
8	Grand Total	\$33,737,292		\$54,408,041		\$20,670,749	100.00%

1/ Docket No. R94-1, USPS-11A, reproduced as Exhibit MMA-1E of Exhibit MMA-T-1

2/ Docket No. R94-1, Appendix G, Schedule 1

USPS Finances For TY 1995 Using USPS and PRC Cost Methodologies at USPS Proposed Rates

OCAMMA-XE-3

(PRC Attributable Costs Adjusted to Reflect USPS Volumes at USPS Proposed Rates)

Docket No. R94-1

(000)

Computation of Attributable Cost Difference

Line	Subclass	USPS Attrib Costs 1	PRC Attrib Costs 2/ 2	USPS Proj Volume 3	PRC Proj Volume 4	Adjusted PRC Attrib Costs 5	Difference Attrib Costs 6 (Col 5 - Col 1)	PRC Attrib Cost Factor 7 (Col 6 / 957,127)
1	First Class Letters	\$17,515,829 1/	\$18,045,850 2/	91,018,185 3/	91,166,641 4/	\$18,075,288 5/	\$559,459	58.45%
2	Third Class BRR	\$6,317,013 1/	\$6,591,284 2/	57,119,463 3/	56,411,919 4/	\$6,509,637 5/	\$192,624	20.13%
3	All Other	\$9,904,450 1/	\$10,043,323 2/	30,909,472 3/	31,113,121 4/	\$10,109,494 5/	\$205,044	21.42%
4	Grand Total	\$33,737,292	\$34,680,457	179,047,100 3/	178,691,681 4/	\$34,694,419 5/	\$957,127	100.00%

Computation of USPS Institutional Cost Apportionment Factors

Subclass	USPS Attrib Costs 8	USPS Rev Target 9	Institutional Cost Burden 10 (Col 9 - Col 8)	USPS Institutional Cost Apportionment Factor 11 (Col 10 / 20,670,749)
5 First Class Letters	\$17,515,829 1/	\$31,788,238 1/	\$14,272,409	69.05%
6 Third Class BRR	\$6,317,013 1/	\$9,739,013 1/	\$3,422,000	16.55%
7 All Other	\$9,904,450 1/	\$12,880,790 1/	\$2,976,340	14.40%
8 Grand Total	\$33,737,292	\$54,408,041	\$20,670,749	100.00%

1/ Docket No. R94-1, USPS-11A, reproduced as Exhibit MMA-1E of Exhibit MMA-T-1

2/ Docket No. R94-1, Appendix G, Schedule 1

3/ Docket No. R94-1, Exhibit USPS-7X, pages 8, 15 and 18

4/ Docket No. R94-1, Appendix G, Schedule 1 and Schedule 2, page 1

5/ Col 2 * (Col 3 / Col 4)

Memorandum to: Richard Littell
From: Rich Bentley
Subject: Oral Cross Examination Documents
Date: November 22, 1996
Number of Pages: 9

To follow are copies of all of the source documents that I used in the preparation of my workpapers. These documents are referred to in the footnotes that are provided in OCA/MMA-XE-1, 2 and 3.

Comparison of Costs Attributed by
Cost Segment and Component
(\$ 000's)

	PRC R94-1 Test Year			USPS R94-1 Test Year		
	Accrued Cost	Attributable Cost	Percent Attributable	Accrued Cost	Attributable Cost	Percent Attributable
20. Depreciation & Other Servicewide Costs						
Mail Proc. Equip. Deprec.	650,219	428,653	65.92	650,219	428,653	65.92
Vehicle Deprec.	179,926	108,949	60.55	179,924	80,772	44.89
Money Orders	383	383	100.00	383	383	100.00
Indemnities	107,737	17,464	16.21	107,779	17,506	16.24
Embossed Stmp. Envelopes	10,262	10,262	100.00	10,261	10,261	100.00
Unemployment Compensation	54,500	36,020	66.09	54,500	34,861	63.97
Bldg. & Leasehold Deprec.	381,287	381,287	100.00	381,287	381,287	100.00
Other	124,496	53,407	42.90	124,496	53,407	42.90
Total	1,508,810	1,036,425	68.69	1,508,849	1,007,130	66.75
17. Res., Develop., & Engr.	66,919	0	0.00	66,919	0	0.00
19. Support Services	14,463	0	0.00	14,464	0	0.00
Grand Total All Segments	52,530,344	34,193,077	65.09	52,592,438	33,266,482	63.25

SUMMARY OF ESTIMATED 1993 TEST YEAR AFTER RATE FINANCES
(Dollars in Thousands)

005901

Page 1 of 2

Line No.	Description	Attributable Costs (1)	Revenues (2)	Percent of Costs (Col 2/Col 1)	Contribution To Other Costs (Col 2 - Col 1)
1	First-Class Mail				
2	Single Letters	13,256,875	21,670,410	163.47%	8,413,535
3	Presort Letters	4,258,954	10,117,829	237.57%	5,858,875
4	Total Letters	17,515,829	31,788,238	181.48%	14,272,409
5	Postal Cards	41,622	114,855	275.85%	73,233
6	Private Postcards	458,029	537,000	117.24%	78,971
7	Presort Postcards	116,726	249,028	213.34%	132,302
8	Total Cards	616,377	900,883	146.18%	284,506
9	Total	18,132,206	32,689,121	180.28%	14,556,915
10	Priority Mail	1,341,259	2,798,970	208.68%	1,457,711
11	Express Mail	547,492	688,475	125.75%	140,983
12	Mailgrams	8,451	8,451	100.00%	0
13	Second-Class Mail				
14	In Country	74,712	76,311	102.14%	1,599
15	Outside Country				
16	Nonprofit	340,588	352,960	103.63%	12,372
17	Classroom	13,601	14,279	104.99%	678
18	Regular-Rate	1,386,657	1,559,308	114.10%	192,651
19	Total	1,795,558	2,002,859	111.55%	207,301
20	Third-Class Mail				
21	Single Piece	254,530	256,516	100.78%	1,986
22	Bulk Rate Regular Carrier Route	1,980,277	4,327,183	218.51%	2,346,906
23	Bulk Rate Regular Other	4,356,736	5,411,829	124.79%	1,075,093
24	Total Bulk Rate Regular	6,317,013	9,739,013	154.17%	3,422,000
25	Bulk Rate Nonprofit Carrier Route	168,840	262,081	155.22%	93,241
26	Bulk Rate Nonprofit Other	1,112,074	1,133,277	101.91%	21,203
27	Total Bulk Rate Nonprofit	1,280,914	1,395,358	108.93%	114,444
28	Total	7,852,457	11,390,887	145.06%	3,538,430
29	Fourth-Class Mail				
30	Parcel Post	656,457	667,244	101.64%	10,787
31	Bound Printed Matter	278,127	368,248	132.40%	90,121
32	Special Rate	316,185	319,111	100.93%	2,926
33	Library Rate	41,719	41,919	100.48%	200
34	Total	1,292,488	1,396,523	108.05%	104,035
35	Free-for-me-Bind, etc.	29,520	0	0.00%	(29,520)
36	International Mail	1,367,040	1,670,598	122.21%	303,558
37	Special Services				
38	Registry	79,573	114,828	144.31%	35,255
39	Certified	305,826	528,248	172.67%	220,422
40	Insurance	34,840	53,228	153.66%	18,388
41	COO	23,941	24,508	102.37%	567
42	Special Delivery	1,663	1,655	99.52%	(8)
43	Money Orders	193,182	213,870	110.71%	20,688
44	Stamped Envelopes	13,714	23,959	174.71%	10,245
45	Special Handling	2,518			(2,518)
46	Post Office Boxes	493,662	554,807	112.35%	60,945
47	Other		20,833		
48	Total	1,148,719	1,533,737	133.52%	385,018
49	Other Costs	222,102			(222,102)
50	Other Income		228,420		228,420
51	Attributable Costs and Revenues	33,737,292	54,408,041	161.27%	20,670,749
52	Total Other Costs	19,909,140			(19,909,140)
53	Prior Years Loss Recovery	936,226			(936,226)
54	Continuing Appropriations		108,430		108,430
55	Investment Income		42,010		42,010
56	GRAND TOTAL	54,562,658	54,558,481	99.99%	(4,177)

OCA/MMH-XC-2 and 3 Footnote 2
Data Source

Year Year Volume, Cost, Revenue, and Cost Coverage by Class
at Commission Recommended Rates

	Volume (000)	Attributable Cost (\$ 000)	Revenue (\$ 000)	Contribution to Institutional Cost (\$ 000)	Cost/Pc. (Cents)	Rev./Pc. (Cents)	Contribution to Net/Institutional Cost/Pc. (Cents)	Cost Coverage	Change in Rev/Pc.
First-Class Mail:									
Letters	91,168,841	18,843,650	31,482,177	13,436,327	19.798	34.333	14.718	174.6%	8.87%
Cards	4,484,591	843,880	882,137	238,877	14.854	20.021	5.373	138.3%	5.87%
Priority Mail	781,118	1,401,597	2,763,300	1,381,712	183.308	362.544	178.875	197.7%	4.75%
Express Mail	92,785	573,785	682,178	708,391	1,897.017	1,292.361	205.344	118.5%	7.88%
Mailgrams	4,711	9,318	8,451	132	178.603	179.403	2.880	101.6%	82.68%
Second-Class Mail:									
Within County	922,497	78,931	77,893	2,062	8.231	8.483	0.224	102.7%	1.77%
Nonprofit	2,370,348	348,188	360,929	14,021	14.805	15.187	0.392	104.1%	18.17%
Classroom	303,340	13,579	18,485	979	13.061	13.946	0.885	106.8%	-4.34%
Regular Rate	7,071,335	1,880,348	1,685,318	224,581	18.929	22.705	3.178	116.3%	13.91%
Third-Class Mail:									
Single Piece	184,811	751,834	282,252	11,218	152.502	158.317	6.815	104.8%	43.88%
Bulk Rate Regular	58,411,819	8,501,787	8,948,156	3,357,812	11.664	17.637	6.352	160.5%	14.64%
Bulk Rate Nonprofit	12,890,375	1,818,571	1,828,283	113,372	10.201	11.820	0.888	101.6%	3.88%
Fourth-Class Mail:									
Parcel Post	685,825	531,129	678,248	47,021	339.687	364.991	25.304	107.4%	18.84%
Bound Printed Matter	383,398	277,252	378,477	101,425	72.314	98.763	26.454	136.6%	13.97%
Special Rate	677,748	113,920	337,433	14,315	176.398	184.440	8.053	104.6%	17.94%
Library Rate	21,764	41,084	61,373	311	188.680	158.188	1.428	108.8%	68.81%
USPS Penalty Mail	348,414								
Free-for-the-Blind Mail	17,781	29,785		(29,785)	51.549		(51.549)		
International Mail 1/	888,985	1,371,978	1,878,598	298,620	138.463	168.608	30.137	121.8%	18.30%
Total AM Mail	178,891,681	33,313,728	52,812,947	18,288,218	18.643	21.443	10.880	157.8%	10.14%
Special Services:									
Registry	48,615	78,770	113,817	39,048	401.585	588.285	178.888	184.5%	9.71%
Insurance	28,297	34,523	48,268	13,743	122.004	178.571	48.568	139.8%	8.63%
Certified	266,568	309,213	578,248	217,035	115.899	197.419	81.419	170.1%	18.02%
COO	8,913	23,836	24,472	638	482.128	412.878	10.750	102.7%	38.98%
Money Orders	165,484	182,878	214,185	11,789	103.768	115.472	11.704	111.3%	10.31%
Special Delivery	186	1,154	1,201	47	598.769	1,037.707	48.938	104.1%	30.23%
Stamped Envelopes	888,252	13,793	23,686	9,983	1.962	3.392	1.430	172.9%	12.31%
Special Handling		3,512		(3,512)					
Best/Carrier Service	18,083	488,627	863,918	75,891	3,037.582	3,584.128	468.688	119.4%	13.87%
Other			28,957	26,957					
Other Costs		221,715		(221,715)					
Other Income			228,428	228,428					
Total Mail & Services	178,891,681	34,688,487	54,384,117	19,783,680	19.408	20.435	11.827	156.8%	10.16%
Prior Years Loss Recovery		938,226							
Other Institutional Costs		18,988,493							
Investment Income			42,718						
Appropriations			92,317						
Total Revenue Requirement		54,317,176							
Total Revenue			54,519,152						
Net Surplus (Loss)			1,976						

1/ Not subject to PRC jurisdiction.

Docket No. R94-1

Appendix G
Schedule 1

005992

OLH/M/MH-XE-3 FOOTNOTE 3- DATA SOURCES (3 PAGES)

OLH/M/MH-XE-3 FOOTNOTE 3- DATA SOURCES (3 PAGES) PAGE

USPS 10-4730
ALA430P1SUMMARY OF REVENUES, ATTRIBUTABLE COSTS, PIECES AND WEIGHT FOR MAJOR SERVICE CATEGORIES
PROPOSED RATES FY95 WITH MIX ADJ.
(IN MILLIONS)

	MAIL VOLUME PIECES	MAIL VOLUME %	MAIL WEIGHT POUNDS	MAIL WEIGHT %
FIRST-CLASS MAIL.....	95 302.4	53.3 %	3 800.0	10.5 %
PRIORITY MAIL.....	733.2	.4	1 296.2	6.3
EXPRESS MAIL.....	52.2	--	60.7 /7/	.3
MAILGRAMS.....	4.7	--	--	--
SECOND-CLASS MAIL:				
WITHIN THE COUNTY.....	841.5	.5	230.8	1.2
OUTSIDE THE COUNTY:				
NONPROFIT PUBLICATIONS	2 379.4	1.3	628.3	3.1
CLASSROOM PUBLICATIONS	106.6	.1	42.8	.2
REGULAR-RATE PUBL.....	7 092.7	4.0	3 202.1	15.6
FEES.....	--	--	--	--
TOTAL SECOND-CLASS....	10 420.1	5.9	4 112.0	20.1
THIRD-CLASS MAIL:				
SINGLE PIECE RATE.....	166.3	.1	64.8	.3
BULK RATE - REGULAR.....	87 119.5	31.9	7 594.1	36.9
BULK RATE - NONPROFIT...	12 874.0	7.1	866.3	4.2
FEES.....	--	--	--	--
TOTAL THIRD-CLASS....	70 159.8	39.1	8 525.2	41.4
FOURTH-CLASS MAIL:				
PARCELS (ZONE RATE)....	191.1	.1	1 026.7	5.0
BOUND PRINTED MATTER....	385.4	.2	948.4	4.6
TOTAL ZONE-RATE MAIL..	576.4	.3	1 975.1	9.6
SPECIAL				
FOURTH-CLASS RATE....	179.7	.1	331.9	1.6
LIBRARY RATE.....	21.6	--	59.0	.3
FEES.....	--	--	--	--
TOTAL FOURTH-CLASS....	777.7	.4	2 366.0	11.5
U S POSTAL SERVICE.....	548.4	.3	81.6	.4
FREE MAIL FOR BLIND AND HANDICAPPED.....	57.8	--	36.4	.2
INTERNATIONAL MAIL.....	990.9	.6	267.6	1.3
TOTAL MAIL.....	179 047.1	100.0 %	20 545.8	100.0 %

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FIRST-CLASS MAIL

ALA450P1

FY96 PROPOSED RATES WITH MIX

CATEGORY	---LETTERS AND SEALED PARCELS--- ---(INCLUDING FLATS & LPPS)---		POSTAL	---CARDS--- ---PRIVATE---		TOTAL FIRST-CLASS MAIL
	SINGLE	PRESORT		SINGLE	PRESORT	
REVENUE/COST RELATIONSHIP:						
PER PIECE (CENTS):						
..REVENUE.....	38.6	28.7	21.0	21.8	18.4	34.3
..ATTRIBUTABLE COSTS.....	23.8	12.1	7.6	19.2	8.7	19.0
..REVENUE LESS						
....ATTRIBUTABLE COST....	14.8	16.6	13.4	2.6	9.7	15.3
PER POUND (CENTS):						
..REVENUE.....	909.7	716.7	4 200.2	3 631.7	3 060.6	460.3
..ATTRIBUTABLE COSTS.....	560.6	302.0	1 524.1	3 198.3	1 437.3	477.2
..REVENUE LESS						
....ATTRIBUTABLE COST....	349.1	414.7	2 676.1	432.4	1 623.3	383.1
VOLUME STATISTICS:						
PIECES (000).....	55 796 738	35 221 427	546 222	2 389 949	1 348 044	95 302 380
WEIGHT PER PIECE (OUNCES).....	7	6	1	1	1	6
WEIGHT/CUBIC FT. (POUNDS).....	13.9	13.8	13.9	13.9	13.9	13.9
WEIGHT IN POUNDS (000).....	2 364 839	1 410 022	2 731	14 321	8 121	3 800 034
CUBIC FEET (000).....	169 571	101 106	196	1 030	584	272 487

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THIRD-CLASS MAIL

Proposed
CURRENT RATES 1996

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BULK RATE REGULAR

CATEGORY

SINGLE PIECE
RATECARRIER
PRESORT

OTHER

TOTAL

REVENUE/COST RELATIONSHIP:

PER PIECE (CENTS):

REVENUE	150.2	14.5	19.6	17.0
ATTRIBUTABLE COSTS	150.1	6.7	15.0	11.1
REVENUE LESS				
ATTRIBUTABLE COST	.1	7.0	3.8	5.9

PER POUND (CENTS):

REVENUE	393.4	102.6	158.9	127.7
ATTRIBUTABLE COSTS	393.0	47.1	127.8	83.2
REVENUE LESS				
ATTRIBUTABLE COST	.4	55.5	31.1	44.5

VOLUME STATISTICS:

PIECES (000)	166 271	29 652 244	27 467 219	57 119 463
WEIGHT PER PIECE (OUNCES)	6.2	2.3	2.0	2.1
WEIGHT/CUBIC FT. (POUNDS)	NA	NA	NA	NA
WEIGHT IN POUNDS (000)	64 760	4 200 210	3 393 915	7 594 126
CUBIC FEET (000)	NA	NA	NA	NA

EST. AVERAGE HAUL (MILES)	--	NA	NA	--
ESTIMATED TON MILES (000)	--	--	--	--
EST. CUBIC FT. MILES (000)	--	--	--	--

Test Year Volume, Cost, Revenue, and Cost Coverage by Class
at Commission Recommended Rates

	Volume (000)	Attributable Cost (\$ 000)	Revenue (\$ 000)	Contribution to Institutional Cost (\$ 000)	Cost/Pc. (Cents)	Rev./Pc. (Cents)	Contribution to Institutional Cost/Pc. (Cents)	Cost Coverage	Change in Rev./Pc.
First-Class Mail:									
Letters	91,166,841	18,049,850	31,483,177	13,436,327	19.794	34.533	14.738	174.9%	8.94%
Cards	4,404,991	845,430	682,137	234,677	14.634	20.629	5.373	130.7%	5.87%
Priority Mail	762,115	1,401,597	2,763,308	1,361,712	883.909	382.584	178.675	197.2%	0.75%
Express Mail	53,185	373,763	682,978	189,391	9,887.017	1,292.381	205.344	118.9%	7.96%
Mailgrams	4,711	6,319	6,431	132	178.603	178.403	2.888	101.6%	82.50%
Second-Class Mail:									
White County	922,437	75,931	77,893	2,842	8.231	8.456	0.324	101.7%	1.77%
Nonprofit	3,370,346	346,188	368,228	14,821	14.605	15.197	0.592	104.1%	58.27%
Classroom	143,940	13,575	14,485	918	13.061	13.946	0.885	106.8%	-4.34%
Register Rate	7,071,383	1,380,948	1,883,338	924,548	19.529	23.705	3.176	116.3%	93.81%
Third-Class Mail:									
Single Piece	184,411	281,034	282,257	81,218	152.602	159.317	6.616	104.5%	43.68%
Bulk Rate Regular	26,411,919	6,531,284	9,149,198	3,337,812	11.684	17.437	5.352	140.9%	14.84%
Bulk Rate Nonprofit	12,890,375	1,314,921	1,428,223	143,372	10.241	11.840	0.888	108.8%	3.88%
Fourth-Class Mail:									
Parcel Post	145,825	831,225	678,246	87,828	339.687	364.391	26.304	107.4%	18.30%
Bound Printed Matter	383,300	277,252	378,677	101,425	72.314	96.769	26.454	138.6%	13.17%
Special Rate	177,346	313,520	327,835	14,314	176.388	184.448	8.053	104.6%	17.94%
Library Rate	21,764	41,044	41,375	311	189.648	190.188	1.428	100.8%	69.91%
USPS Penalty Mail	548,414								
Free-for-the-Blind Mail	67,782	29,786		(29,786)	91.549		(51.549)		
International Mail 1/	598,845	1,371,978	1,579,588	298,520	138.443	168.600	30.137	121.8%	18.30%
Total All Mail	176,691,481	33,313,728	52,612,947	18,289,318	18.643	28.443	10.800	157.9%	18.14%
Special Services:									
Registry	19,616	78,778	113,817	33,048	405.565	688.285	178.588	144.5%	9.71%
Insurance	28,787	34,323	48,266	13,743	122.804	178.571	48.569	139.6%	8.83%
Certified	266,664	308,213	526,248	217,895	115.899	197.419	81.419	178.2%	18.02%
COD	5,993	23,816	24,472	636	401.128	413.878	18.750	182.7%	38.89%
Money Orders	185,888	192,476	214,185	21,788	108.768	115.472	11.704	111.3%	18.31%
Special Delivery	196	1,144	1,201	47	585.769	1,037.787	48.938	184.1%	28.23%
Stamped Envelopes	698,332	13,763	23,686	9,923	1.962	3.382	1.428	172.8%	12.31%
Special Handling		2,512	(2,512)						
Box/Carrier Service	16,083	488,877	563,918	75,091	3,037.612	3,504.128	466.608	115.4%	13.87%
Other			28,957	26,557					
Other Costs		221,715		(221,715)					
Other Income			228,428	228,428					
Total Mail & Services	178,891,681	34,809,437	54,384,117	18,703,550	19.609	30.435	11.827	184.4%	18.16%
Prior Years Loss Recovery		936,226							
Other Institutional Costs		18,388,493							
Investment Income			42,718						
Appropriations			92,317						
Total Revenue Requirement		54,317,176							
Total Revenues			54,519,152						
Net Surplus (Loss)			1,978						

1/ Not subject to FRC jurisdiction.

Docket No. R94-1

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DATA

Source

Appendix G

Schedule 1

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APPENDIX G
Schedule 2
Page 1

COMMISSION RECOMMENDED RATES
APPLIED TO TEST YEAR VOLUMES

FIRST CLASS	Units (000)	Rate (cents)	Revenues (000)
Letters			
NONPRESORT			
First Ounce	55,906.879	32.0	\$17,890,201.3
Additional Ounce	14,659.829	23.0	3,371,760.7
Zip + 4 Discount	600.896	(1.5)	(9,013.4)
Prebarcoded Flats	896.843	(2.5)	(22,421.1)
Nonstandard Surcharge	280.001	11.0	30,800.1
Subtotal	55,906.879		21,261,327.6
Fees			
Address Correction			10,595.6
Business Reply			116,112.2
Certificate of Mailing			4,523.1
TOTAL NONPRESORT LETTERS	55,906.879		\$21,392,558.5
PRESORTED			
3/5 Digit			
First Ounce			
Light Pieces	32,089.777	27.4	8,792,598.9
Heavy Pieces	327.418	22.8	74,651.3
Subtotal	32,417.195		
Additional Ounce	2,884.459	23.0	663,425.6
ZIP + 4 Discount	2,580.293	(0.7)	(17,922.1)
Prebarcode - 3 digit	7,691.080	(1.0)	(76,910.8)
5 digit	6,792.281	(1.6)	(108,576.5)
Prebarcoded Flats	134.828	(1.6)	(2,157.2)
Nonstandard Surcharge	27.307	5.0	1,365.4
3/5 Digit Subtotal	32,417.195		9,326,374.6
Carrier Route			
First Ounce			
Light Pieces	2,839.989	25.4	721,357.2
Heavy Pieces	2,578	20.8	538.2
Subtotal	2,842.567		
Additional Ounce	124.751	23.0	28,692.7
Nonstandard Surcharge	1,876	5.0	93.8
Carrier Route Subtotal	2,842.567		750,679.9
Fees			
Address Correction			6,682.5
Certificate of Mailing			874.6
Presort Permit			5,007.2
TOTAL PRESORT LETTERS	35,259.762		10,089,618.7
TOTAL FIRST CLASS LETTERS	91,166,641		\$31,482,177.3